

Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-15 H-01 INR-10 INT-05
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E.O. 11652: N/A
TAGS: EAID, ENRG, AR
SUBJECT: IDB LOAN APPLICATION FOR THE YACIRETA HYDROELECTRIC
PROJECT (\$150.0 MILLION)

REF: AIDTO CIRCULAR A-127

1. SUBJECT PROJECT IS OF HIGH PRIORITY FOR ARGENTINA'S
DEVELOPMENT AS IT WILL BRING IMPORTANT ENERGY SOURCE
(2700 MW) ON LINE AT A TIME WHEN IT WILL BE SORELY
NEEDED, OBVIATING THE NEED TO RELY ON IMPORTED SOURCES
OF ENERGY SUCH AS PETROLEUM. THE ALTERNATIVE COST IN
TERMS OF PETROLEUM IS ESTIMATED AT US \$323 MILLION PER YEAR.
THIS FACT SHOULD HAVE POLICY IMPLICATIONS NOT ONLY FOR
ARGENTINA, BUT FOR ALL PETROLEUM IMPORTING COUNTRIES,
BECAUSE IT WILL REDUCE THE PRESSURE OF DEMAND FOR PETROLEUM
WORLDWIDE.

2. THE PROJECT IS CONSIDERED OF PRIME IMPORTANCE WITHIN THE
OVERALL ENERGY PLAN AND HAS BEEN STUDIED OVER A NUMBER OF
YEARS BY BOTH THE ARGENTINE GOVERNMENT AND INTERNATIONAL
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FINANCIAL INSTITUTIONS.

3. ALL CLASSES OF ARGENTINES WILL BENEFIT FROM THE
DEVELOPMENT OF THIS ENERGY SOURCE. THE PRINCIPAL
CONSUMERS ARE LOCATED IN THE INDUSTRIAL BELT ALONG
THE PARANA RIVER FROM BUENOS AIRES TO SANTA FE,
WHERE THE MAJOR CONCENTRAL OF ARGENTINE POPULATION

EXISTS. THE POWER WILL SERVE ALL OF THEM, BOTH IN THE HOME AND IN THE FACTORY. THE RURAL POPULATION OF NORTH EASTERN ARGENTINA, WHOSE PER CAPITA INCOME IS GENERALLY WELL BELOW THE AVERAGE, WILL ALSO BENEFIT, AS THEIR GRID WILL BE HOOKED UP TO YACIRETA AS WELL. THE AVAILABILITY OF THIS POWER WILL ENHANCE PRODUCTIVITY AND RAISE THE GENERAL STANDARD OF LIVING.

4. PRIVATE FINANCING FOR THE PROJECT WOULD APPEAR LIMITED TO THAT PROVIDED BY SUPPLIERS FOR THE ELECTROMECHANICAL EQUIPMENT AND THAT OBTAINED FROM FOREIGN PRIVATE BANKING SOURCES THROUGH CO FINANCING SCHEMES OF THE IDB AND WORLD BANK. AS THE IDB LOAN SUMMARY INDICATES, THIS IS EXPECTED TO BE ABOUT 26 PERCENT: 13 PERCENT IN SUPPLIER CREDITS AND 12 PERCENT IN COFINANCING FOR PHASE I OF THE PROJECT.

5. OF THE RECOMMENDATIONS ON PAGES 9 AND 10 OF THE SUMMARY, ITEMS 9 AND 10 APPEAR TO BE PARTICULARLY NOTEWORTHY IN THE ARGENTINE CONTEXT. FORTY-ONE PERCENT OF PHASE ONE COSTS ARE TO BE MET BY THE ARGENTINE ENERGY FUND (FONDOS PARA GRANDES OBRAS ELECTRICAS). IN THE PAST THIS FUND HAS BECOME SERIOUSLY DEPLETED BECAUSE IT HAS BEEN FED BY A TAX ON UTILITY RATES, WHICH HAVE BEEN ALLOWED TO FALL TO ABSURDLY LOW LEVELS FOR POLITICAL REASONS. DURING THESE PERIODS THE FUNDS HAVE ACTUALLY HAD TO BE DIVERTED TO PAY THE OPERATING COSTS OF THE EXISTING LIMITED OFFICIAL USE

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UTILITIES. CARE MUST BE TAKEN TO ENSURE THIS EXPERIENCE CANNOT REPEAT ITSELF.
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Message Attributes

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